

year or years shall be deductible from the income taxable in this State as would be determined by the ratio of net income allocable to this State as compared to all net income received both within and without the State. For such corporations and resident individuals as specified herein any income properly allocable without the State shall be disregarded in offsetting income not taxable under this article against the amount of any prior year loss to determine the amount of prior year loss deductible from taxable income in any year.

First and second
succeeding years.

Fourth, a net economic loss carried forward from any year shall first be applied to, or offset by, any income taxable or nontaxable of the next succeeding year before any portion of such loss may be carried forward to a second succeeding year. If there is any income taxable or nontaxable in the first succeeding year not otherwise offset only the balance of any carry-over loss may be carried forward to a second year.

Special provi-
sions.

Fifth, the amount of any loss arising from sales or transactions as specified in Subsection (c) above and not allowed as a deduction for the year in which such loss occurred may be carried forward for deduction in either or both of the succeeding years but only to the extent that such loss when added to other deductions permitted in the second limitation above shall result in a net economic loss as defined in the said second limitation. *Further*, any portion of such loss from sales or transactions specified in Subsection (c) above which is carried forward to one or both of the two succeeding years may be deducted from taxable income in either year only to the extent of gain not otherwise offset from similar sales or transactions in the year in which such deduction is claimed, but not to exceed such amount as would be permitted as a deduction under the other limitations above.

Sixth, no loss shall either directly or indirectly be carried forward more than two years.

SUBSECTION (j). Amend Section three hundred and twenty-two by inserting therein a new subdivision, to be numbered seven and one half, and read as follows:

Certain deduc-
tions.

7½. Amounts expended by an individual during the year for medical care and insurance against illness or accident for himself, or herself, and dependents, and for funeral expenses for dependents leaving no net estate, to the extent that the total of such expenditures not compensated for by insurance or otherwise shall exceed five per centum of net income computed without the benefit of the deduction authorized in this subdivision.

SUBSECTION (k). Amend Subsection nine of Section three hundred and twenty-two by striking out the last word and inserting in lieu thereof the word "subdivision."